

**SOUTHEAST WEBSTER-GRAND  
COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND RESPONSES**

**JUNE 30, 2013**

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# **SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**

## **OFFICIALS**

<b><i>NAME</i></b>	<b><i>TITLE</i></b>	<b><i>TERM EXPIRES</i></b>
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### **Board of Education (Before September 2012 Election)**

Grant Gibbons	President	2013
Todd Lundgren	Vice President	2015
Rob Scott		2013
Emily Clausen		2015
Michelle Stapp		2013
Dave Hainzinger		2013
Dan Hansen		2015

### **(After September 2012 Election)**

Grant Gibbons	President	2013
Michelle Stapp	Vice President	2013
Rob Scott		2013
Emily Clausen		2015
Todd Lundgren		2015
Dan Hansen		2015
Dave Hainzinger		2013

### **School Officials**

Launi Dane	Superintendent
Karla Flickinger	District Secretary/Treasurer



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**Independent Auditor's Report**

To the Board of Education of  
Southeast Webster-Grand Community School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Southeast Webster-Grand Community School District, Burnside, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U. S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Southeast Webster-Grand Community School District at June 30, 2013, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U. S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 11 and 35 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southeast Webster-Grand Community School District's basic financial statements. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2014 on our consideration of Southeast Webster-Grand Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Southeast Webster-Grand Community School District's internal control over financial reporting and compliance.

*Schurr & Company, LLP*

Fort Dodge, Iowa  
March 26, 2014

**SOUTHEAST WEBSTER-GRAND  
COMMUNITY SCHOOL DISTRICT**



## **SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Southeast Webster-Grand Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which immediately follow this section.

#### **2013 Financial Highlights**

- General Fund revenues decreased from \$6,790,120 in fiscal year 2012 to \$6,547,605 in fiscal year 2013, a 3.6% decrease. General Fund expenditures increased from \$6,056,042 in fiscal 2012 to \$6,191,795 in fiscal year 2013, a 2.2% increase.
- The General Fund increased over \$327,000. Less facility acquisition costs were the primary factor.
- The District collected statewide sales, services and use tax during the year. These revenues were used to do various building repairs and upgrades along with completing a major heating and cooling upgrade in Burnside.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The *Government-wide Financial Statements* consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Southeast Webster-Grand Community School District as a whole and present an overall view of the District's finances.

The *Fund Financial Statements* tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report Southeast Webster-Grand Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the combining Special Revenue and Capital Project Funds, Student Activity Fund and a multiyear comparison of revenues and expenses.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

#### **Government-wide Financial Statements**

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-wide financial statements report the District's net position and how it has changed. Net position - the difference between the District's assets and liabilities – are one way to measure the District's health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the Government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

#### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Fund, Capital Projects Fund, and the Debt Service Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES (CONTINUED)

#### Fund Financial Statements (Continued)

- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District's Enterprise Fund includes the School Nutrition Fund, Eagles Nest and Day Care.

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

**Figure A-1**  
**Condensed Statement of Net Position**  
**(Expressed in Thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total School District</b>		<b>Percentage Change (%)</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2012-2013</b>
<b>Assets:</b>							
Current and other assets	\$ 6,245	\$ 4,245	\$ 52	\$ 15	\$ 6,297	\$ 4,260	47.8%
Capital assets, net of accumulated depreciation	4,062	3,554	3	5	4,065	3,559	14.2%
<b>Total assets</b>	<b>10,307</b>	<b>7,799</b>	<b>55</b>	<b>20</b>	<b>10,362</b>	<b>7,819</b>	<b>32.5%</b>
<b>Liabilities:</b>							
Long-term liabilities	1,937	63	-	-	1,937	63	2974.6%
Other liabilities	4,041	3,895	91	42	4,132	3,937	5.0%
<b>Total liabilities</b>	<b>5,978</b>	<b>3,958</b>	<b>91</b>	<b>42</b>	<b>6,069</b>	<b>4,000</b>	<b>51.7%</b>
<b>Net Position:</b>							
Net invested in capital assets,	2,150	3,105	3	5	2,153	3,110	-30.8%
Restricted	1,269	264	-	-	1,269	264	380.7%
Unrestricted	910	472	(39)	(27)	871	445	95.7%
<b>Total net position</b>	<b>\$ 4,329</b>	<b>\$ 3,841</b>	<b>\$ (36)</b>	<b>\$ (22)</b>	<b>\$ 4,293</b>	<b>\$ 3,819</b>	<b>12.4%</b>

The largest portion of the District's net position is invested in capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$1,000,000 over the prior year. The increase was primarily due to revenue bond proceeds.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Figure A-2 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

**Figure A-2**  
**Changes in Net Position**  
**(Expressed in Thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total School District</b>		<b>Percentage Change (%)</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2011-2012</b>
<b>Revenues:</b>							
Program revenues:							
Charges for service	\$ 585	\$ 500	\$ 279	\$ 260	\$ 864	\$ 760	13.7%
Operating grants, contributions	960	1,434	188	164	1,148	1,598	-28.2%
General revenues:							
Property tax	2,981	2,969	-	-	2,981	2,969	0.4%
Income surtax	139	135	-	-	139	135	3.0%
Statewide sales, service and use tax	445	454	-	-	445	454	-2.0%
Unrestricted state grants	2,224	2,109	-	-	2,224	2,109	5.5%
Unrestricted investment earnings	3	11	-	-	3	11	-72.7%
Other	153	71	-	-	153	71	115.5%
<b>Total revenues</b>	<b>7,490</b>	<b>7,683</b>	<b>467</b>	<b>424</b>	<b>7,957</b>	<b>8,107</b>	<b>-1.9%</b>
<b>Program Expenses:</b>							
Instruction	4,457	4,259	-	-	4,457	4,259	4.6%
Student support services	1,746	1,518	-	-	1,746	1,518	15.0%
Non-instructional programs	-	-	481	488	481	488	-1.4%
Other expenditures	799	1,008	-	-	799	1,008	-20.7%
<b>Total expenses</b>	<b>7,002</b>	<b>6,785</b>	<b>481</b>	<b>488</b>	<b>7,483</b>	<b>7,273</b>	<b>2.9%</b>
<b>Increase (decrease) in net position</b>	<b>488</b>	<b>898</b>	<b>(14)</b>	<b>(64)</b>	<b>474</b>	<b>834</b>	<b>-43.2%</b>
Net position beginning of year	3,841	2,943	(22)	42	3,819	2,985	27.9%
Net position end of year	\$ 4,329	\$ 3,841	\$ (36)	\$ (22)	\$ 4,293	\$ 3,819	12.4%

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 83% of the total expenses.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

#### Governmental Activities

Revenues for governmental activities were \$7,490,466 and expenses were \$7,002,556 for the year ended June 30, 2013.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-3 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2013	2012	Percentage Change 2012-2013	2013	2012	Percentage Change 2012-2013
Instruction	\$ 4,459	\$ 4,259	4.7%	\$ 3,174	\$ 2,645	20.0%
Support services	1,745	1,518	15.0%	1,698	1,410	20.4%
Other expenses	799	1,008	-20.7%	586	1,008	-41.9%
	<u>\$ 7,003</u>	<u>\$ 6,785</u>	<u>3.2%</u>	<u>\$ 5,458</u>	<u>\$ 5,063</u>	<u>7.8%</u>

- The cost financed by users of the District's programs was \$584,939. The District shared administrative personnel with Prairie Valley in fiscal year 2013.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$960,377.
- The net cost of governmental activities was financed with \$2,981,040 in property taxes and \$2,224,233 in unrestricted state grants.

#### Business-Type Activities

Revenues for business-type activities during the year ended June 30, 2013 were \$467,433 and expenses totaled \$481,010. The District's business-type activities include the School Nutrition, Eagles Nest and Day Care Funds. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

The Nutrition Fund decreased by \$13,166 from the prior year. The District has increased the cost of lunches the maximum amount and is watching the cost of meals closely. The District's Day Care operation showed an increase of \$10,300 for the year. The District's Eagles Next Fund showed a loss of \$10,711. The Eagles Nest had a closeout sale during the year to discontinue operations.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As previously noted, Southeast Webster-Grand Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,052,328, a \$1,830,034 increase from the beginning balance of \$222,294. This was primarily the result of revenue bond proceeds being received during the year.

#### **Governmental Fund Highlights**

- The District's increased General Fund financial position is the result of decreased expenditures.
- The Capital Projects Fund increased over \$1,446,000 in the fiscal year ending June 30, 2013. The fund was increased by proceeds from a revenue bond.

#### **Proprietary Fund Highlights**

The School Nutrition Fund balance decreased its position by \$13,166 during the fiscal year ending June 30, 2013. The Day Care Fund balance has increased by over \$10,300. Eagles Nest showed a loss of \$10,711 and has discontinued operations.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$131,977 less than budgeted receipts, a variance of 1.6%. The most significant variance resulted from the District receiving less federal funding than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. Expenditures did exceed the amount budgeted in the non-instructional program function; however, the budget as a whole was not exceeded.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2013, the District had invested \$4.1 million net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audiovisual equipment and transportation equipment. (See Figure A-4) More detailed information about the District's capital assets can be found in Note 3 to the financial statements. Depreciation expense for the year was \$267,282.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

#### **Capital Assets (Continued)**

The original cost of the District's capital assets was \$7,953,325. Governmental funds account for \$7,868,238, with the remainder of \$85,087 accounted for in the Proprietary, School Nutrition Fund.

**FigureA-4**  
**Capital Assets, net of Depreciation**  
**(Expressed in Thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total School District</b>		<b>Percentage</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>Change (%)</b>
Land	\$ 9	\$ 9	\$ -	\$ -	\$ 9	\$ 9	0.0%
Construction in progress	-	1,228	-	-	-	1,228	-100.0%
Site improvement	393	344	-	-	393	344	14.2%
Buildings	3,370	1,662	-	-	3,370	1,662	102.8%
Furniture and equipment	290	311	3	5	293	316	-7.3%
<b>Total</b>	<b>\$ 4,062</b>	<b>\$ 3,554</b>	<b>\$ 3</b>	<b>\$ 5</b>	<b>\$ 4,065</b>	<b>\$ 3,559</b>	<b>14.2%</b>

#### **Long-term Debt**

During the year ended June 30, 2013, the District sold \$2,125,000 of revenue bonds to complete infrastructure projects.

The other long-term debt remaining is early retirement payments and retiree health insurance benefits. Both are fully described in the notes to the financial statements.

### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has begun sharing in several areas in order to contain costs without reducing programs.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District: "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Karla Flickinger, Business Manager, Southeast Webster-Grand Community School District, 3050 Paragon Avenue, Burnside, Iowa 50521.

**SOUTHEAST WEBSTER-GRAND  
COMMUNITY SCHOOL DISTRICT**



## **BASIC FINANCIAL STATEMENTS**

## STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,520,491	\$ 32,942	\$ 2,553,433
Receivables:			
Property tax:			
Delinquents	44,522	-	44,522
Succeeding year	3,134,767	-	3,134,767
Accounts	119,825	12,219	132,044
Income surtax	139,006	-	139,006
Due from other governments	202,189	-	202,189
Due from other funds	71,421	(71,421)	-
Inventories	-	6,958	6,958
Net OPEB asset	12,709	-	12,709
Capital assets (net of accumulated depreciation)	4,062,213	3,258	4,065,471
<b>Total assets</b>	<b>\$ 10,307,143</b>	<b>\$ (16,044)</b>	<b>\$ 10,291,099</b>
<b>Liabilities</b>			
Accounts payable	\$ 363,094	\$ 2,124	\$ 365,218
Salaries and benefits payable	543,026	17,301	560,327
Deferred revenue:			
Succeeding year property tax	3,134,767	-	3,134,767
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences	3,600	-	3,600
Revenue bonds	212,500	-	212,500
Portion due or payable after one year:			
Compensated absences	20,950	-	20,950
Revenue bonds	1,700,000	-	1,700,000
<b>Total liabilities</b>	<b>5,977,937</b>	<b>19,425</b>	<b>5,997,362</b>
<b>Net Position</b>			
Net invested in capital assets	2,149,713	3,258	2,152,971
Restricted for:			
Categorical funding	101,758	-	101,758
Management levy purposes	95,349	-	95,349
Student activities	46,556	-	46,556
Physical plant and equipment	401,370	-	401,370
School infrastructure	624,408	-	624,408
Unrestricted	910,052	(38,727)	871,325
<b>Total net position</b>	<b>\$ 4,329,206</b>	<b>\$ (35,469)</b>	<b>\$ 4,293,737</b>

See notes to financial statements.

**SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Goods and Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental Activities:</b>				
Instruction				
Regular instruction	\$ 2,676,191	\$ 392,981	\$ 746,758	\$ -
Special instruction	875,211	30,234	-	-
Other instruction	905,920	113,474	-	-
	<u>4,457,322</u>	<u>536,689</u>	<u>746,758</u>	<u>-</u>
Support services:				
Student	33,746	-	-	-
Instructional staff	133,334	-	-	-
Administration	585,027	48,250	-	-
Operation and maintenance of plant	499,866	-	-	-
Transportation	493,862	-	-	-
	<u>1,745,835</u>	<u>48,250</u>	<u>-</u>	<u>-</u>
Other expenses:				
Facilities acquisition	287,721	-	-	-
Long-term debt interest	32,040	-	-	-
AEA flowthrough	213,619	-	213,619	-
Depreciation (unallocated)	266,019	-	-	-
	<u>799,399</u>	<u>-</u>	<u>213,619</u>	<u>-</u>
<b>Total governmental activities</b>	<u>7,002,556</u>	<u>584,939</u>	<u>960,377</u>	<u>-</u>
<b>Business-type activities:</b>				
Non-instructional programs:				
Food service operations	337,463	136,520	187,751	-
Other enterprise operations	143,547	142,686	450	-
	<u>481,010</u>	<u>279,206</u>	<u>188,201</u>	<u>-</u>
<b>Total</b>	<u>\$ 7,483,566</u>	<u>\$ 864,145</u>	<u>\$ 1,148,578</u>	<u>\$ -</u>

**Net (Expense) Revenue and  
Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,536,452)	\$ -	\$ (1,536,452)
(844,977)	-	(844,977)
(792,446)	-	(792,446)
<u>(3,173,875)</u>	<u>-</u>	<u>(3,173,875)</u>
(33,746)	-	(33,746)
(133,334)	-	(133,334)
(536,777)	-	(536,777)
(499,866)	-	(499,866)
(493,862)	-	(493,862)
<u>(1,697,585)</u>	<u>-</u>	<u>(1,697,585)</u>
(287,721)	-	(287,721)
(32,040)	-	(32,040)
-	-	-
<u>(266,019)</u>	<u>-</u>	<u>(266,019)</u>
<u>(585,780)</u>	<u>-</u>	<u>(585,780)</u>
<u>(5,457,240)</u>	<u>-</u>	<u>(5,457,240)</u>
-	(13,192)	(13,192)
-	(411)	(411)
<u>-</u>	<u>(13,603)</u>	<u>(13,603)</u>
(5,457,240)	(13,603)	(5,470,843)

(Continued on next page)

**SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES (Continued)**  
**Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Goods and Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				
See notes to financial statements.				

**Exhibit B  
(Continued)**

**Net (Expense) Revenue and  
Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$ 2,805,275	\$ -	\$ 2,805,275
175,765	-	175,765
139,027	-	139,027
444,901	-	444,901
2,224,233	-	2,224,233
3,367	26	3,393
152,582	-	152,582
<u>5,945,150</u>	<u>26</u>	<u>5,945,176</u>
487,910	(13,577)	474,333
<u>3,841,296</u>	<u>(21,892)</u>	<u>3,819,404</u>
<u>\$ 4,329,206</u>	<u>\$ (35,469)</u>	<u>\$ 4,293,737</u>

**SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**

**Exhibit C**

**BALANCE SHEET**  
**Governmental Funds**  
**June 30, 2013**

	<b>General Fund</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Total</b>
<b>Assets</b>				
Cash and pooled investments	\$ 1,422,783	\$ 145,315	\$ 952,393	\$ 2,520,491
Receivables:				
Property tax:				
Delinquent	39,801	2,203	2,518	44,522
Succeeding year	2,651,537	300,001	183,229	3,134,767
Accounts	118,475	-	1,350	119,825
Income surtax	139,006	-	-	139,006
Due from other funds	71,421	-	-	71,421
Due from other governments	132,672	-	69,517	202,189
<b>Total assets</b>	<b>\$ 4,575,695</b>	<b>\$ 447,519</b>	<b>\$ 1,209,007</b>	<b>\$ 6,232,221</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 363,094	\$ -	\$ -	\$ 363,094
Salaries and benefits payable	537,413	5,613	-	543,026
Deferred revenue:				
Succeeding year property tax	2,651,537	300,001	183,229	3,134,767
Other	139,006	-	-	139,006
<b>Total liabilities</b>	<b>3,691,050</b>	<b>305,614</b>	<b>183,229</b>	<b>4,179,893</b>
Fund balances:				
Restricted for:				
Categorical funding	101,758	-	-	101,758
Management levy purposes	-	95,349	-	95,349
Student activities	-	46,556	-	46,556
School infrastructure	-	-	624,408	624,408
Physical plant and equipment	-	-	401,370	401,370
Unassigned	782,887	-	-	782,887
<b>Total fund balances</b>	<b>884,645</b>	<b>141,905</b>	<b>1,025,778</b>	<b>2,052,328</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,575,695</b>	<b>\$ 447,519</b>	<b>\$ 1,209,007</b>	<b>\$ 6,232,221</b>

See notes to financial statements.

**SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT****Exhibit D****Reconciliation of the Balance Sheet -****Governmental Funds to the Statement of Net Position  
June 30, 2013**

**Total fund balances of governmental funds (Exhibit C)** **\$ 2,052,328**

**Amounts reported for governmental activities in the  
Statement of Net Position are different because:**

Capital assets used in governmental activities are not financial resources and, therefore,  
are not reported as assets in the governmental funds. 4,062,213

Long-term liabilities, including bonds payable and compensated absences, are not due and  
payable in the current period and, therefore, are not reported in the governmental funds. (1,937,050)

Income surtax receivable at June 30, 2013 is not recognized as a revenue until received in  
the governmental funds; however, it is shown as revenue in the Statement of Activities in  
the year of levy, thus, no deferred revenue is shown in the Statement of Net Position. 139,006

The Net OPEB Asset is not due and receivable in the current period, and, therefore, not  
reported in the government funds. 12,709

**Net position of governmental activities (Exhibit A)** **\$ 4,329,206**

See notes to financial statements.



**SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**Governmental Funds**

**Year Ended June 30, 2013**

	<b>General Fund</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b>Revenues:</b>			
Local sources:			
Local tax	\$ 2,794,380	\$ 149,921	\$ 620,666
Tuition	373,715	-	-
Other	195,079	113,474	58,621
Intermediate sources	7,000	-	-
State sources	2,902,078	83	96
Federal sources	275,353	-	-
<b>Total revenues</b>	<b>6,547,605</b>	<b>263,478</b>	<b>679,383</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	2,657,120	81,383	-
Special	875,211	-	-
Other	801,400	104,520	-
	<b>4,333,731</b>	<b>185,903</b>	<b>-</b>
Student support services:			
Student	33,746	-	-
Instructional staff	133,334	-	-
Administration	583,916	1,111	-
Operation and maintenance of plant	434,440	37,954	27,472
Student transportation	459,009	10,479	24,374
	<b>1,644,445</b>	<b>49,544</b>	<b>51,846</b>
Other expenditures:			
Facilities acquisition	-	-	1,061,804
Long-term debt:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
AEA flowthrough	213,619	-	-
	<b>213,619</b>	<b>-</b>	<b>1,061,804</b>
<b>Total expenditures</b>	<b>6,191,795</b>	<b>235,447</b>	<b>1,113,650</b>

**Exhibit E**

<b>Debt Service</b>	<b>Total</b>
\$ -	\$ 3,564,967
-	373,715
-	367,174
-	7,000
-	2,902,257
-	275,353
-	7,490,466
-	2,738,503
-	875,211
-	905,920
-	4,519,634
-	33,746
-	133,334
-	585,027
-	499,866
-	493,862
-	1,745,835
-	1,061,804
212,500	212,500
32,040	32,040
-	213,619
244,540	1,519,963
244,540	7,785,432

(Continued on next page)

**SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****Governmental Funds****Year Ended June 30, 2013**

	<b>General Fund</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
Excess (deficiency) of revenues	<u>\$ 355,810</u>	<u>\$ 28,031</u>	<u>\$ (434,267)</u>
Other financing sources (uses):			
Revenue bonds issued	-	-	2,125,000
Operating transfers in	-	28,500	1,750,000
Operating transfers out	(28,500)	-	(1,994,540)
<b>Total other financing sources (uses)</b>	<u>(28,500)</u>	<u>28,500</u>	<u>1,880,460</u>
Net change in fund balances	327,310	56,531	1,446,193
Fund balances, beginning of year	<u>557,335</u>	<u>85,374</u>	<u>(420,415)</u>
Fund balances, end of year	<u><u>\$ 884,645</u></u>	<u><u>\$ 141,905</u></u>	<u><u>\$ 1,025,778</u></u>

See notes to financial statements.

**Exhibit E**  
**(Continued)**

<b>Debt Service</b>	<b>Total</b>
<b>\$ (244,540)</b>	<b>\$ (294,966)</b>
-	2,125,000
244,540	2,023,040
-	(2,023,040)
244,540	2,125,000
-	1,830,034
-	222,294
<b>\$ -</b>	<b>\$ 2,052,328</b>

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
Governmental Funds to the Statement of Activities  
June 30, 2013**

**Change in fund balances - total governmental funds (Exhibit E)** **\$ 1,830,034**

**Amounts reported for governmental activities in the  
Statement of Activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 774,083	
Depreciation expense	<u>(266,019)</u>	508,064

Income surtaxes not collected for several months after the District's fiscal year ends are not considered available revenues in the governmental funds.

10,676

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:

Issued	(2,125,000)	
Repaid	<u>212,500</u>	(1,912,500)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	23,467	
Other postemployment benefits	<u>28,169</u>	51,636

**Change in net position of governmental activities (Exhibit B)** **\$ 487,910**

See notes to financial statements.

**SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**
**Exhibit G**
**STATEMENT OF NET POSITION**
**Proprietary Funds**
**Year Ended June 30, 2013**

	<b>School Nutrition</b>	<b>Eagles Nest</b>	<b>Day Care</b>	<b>Total</b>
<b>Assets</b>				
<b>Current assets:</b>				
Cash and pooled investments	\$ 27,104	\$ -	\$ 5,838	\$ 32,942
Accounts receivable	11,167	-	1,052	12,219
Inventories	6,958	-	-	6,958
Total current assets	45,229	-	6,890	52,119
<b>Noncurrent assets:</b>				
Capital assets, net of accumulated depreciation	3,258	-	-	3,258
Total noncurrent assets	3,258	-	-	3,258
<b>Total assets</b>	<b>\$ 48,487</b>	<b>\$ -</b>	<b>\$ 6,890</b>	<b>\$ 55,377</b>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 2,124	\$ -	\$ -	\$ 2,124
Salary and benefits payable	17,301	-	-	17,301
Due to other funds	54,505	16,916	-	71,421
Total current liabilities	73,930	16,916	-	90,846
<b>Net Position</b>				
Investment in capital assets	3,258	-	-	3,258
Unrestricted	(28,701)	(16,916)	6,890	(38,727)
<b>Total net position</b>	<b>\$ (25,443)</b>	<b>\$ (16,916)</b>	<b>\$ 6,890</b>	<b>\$ (35,469)</b>

See notes to financial statements.

**SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**
**Exhibit H**
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**
**Proprietary Funds**
**Year Ended June 30, 2013**

	<b>School Nutrition</b>	<b>Eagles Nest</b>	<b>Day Care</b>	<b>Total</b>
<b>Operating revenues:</b>				
Local sources:				
Charges for service	\$ 136,520	\$ 2,850	\$ 139,836	\$ 279,206
<b>Non-instructional programs:</b>				
Food service operations:				
Salaries	90,499	22	98,500	189,021
Benefits	25,758	2	16,171	41,931
Purchased services	1,272	-	-	1,272
Supplies	218,671	13,537	15,315	247,523
Depreciation	1,263	-	-	1,263
<b>Total operating expenses</b>	<b>337,463</b>	<b>13,561</b>	<b>129,986</b>	<b>481,010</b>
<b>Operating income (loss)</b>	<b>(200,943)</b>	<b>(10,711)</b>	<b>9,850</b>	<b>(201,804)</b>
<b>Non-operating revenues:</b>				
Local sources	39	-	450	489
State sources	3,035	-	-	3,035
Federal sources	184,677	-	-	184,677
Interest income	26	-	-	26
<b>Total non-operating revenues</b>	<b>187,777</b>	<b>-</b>	<b>450</b>	<b>188,227</b>
<b>Change in fund net position</b>	<b>(13,166)</b>	<b>(10,711)</b>	<b>10,300</b>	<b>(13,577)</b>
<b>Net position beginning of year</b>	<b>(12,277)</b>	<b>(6,205)</b>	<b>(3,410)</b>	<b>(21,892)</b>
<b>Net position end of year</b>	<b>\$ (25,443)</b>	<b>\$ (16,916)</b>	<b>\$ 6,890</b>	<b>\$ (35,469)</b>

See notes to financial statements.

# **SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**

## **STATEMENT OF CASH FLOWS**

### **Proprietary Funds**

**Year Ended June 30, 2013**

	<b>School Nutrition</b>	<b>Eagles Nest</b>
Cash flows from operating activities:		
Cash received from sale of services	\$ 134,503	\$ -
Cash received from sale of inventories	-	2,850
Cash paid to employees for services	(78,014)	(24)
Cash paid to suppliers for goods or services	(210,066)	(2,826)
Net cash used by operating activities	<u>(153,577)</u>	<u>-</u>
Cash flows from non-capital financing activities:		
Contributions received	39	-
State grants received	3,035	-
Federal grants received	165,361	-
Net cash provided by non-capital financing activities	<u>168,435</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>26</u>	<u>-</u>
Net decrease in cash and cash equivalents	14,884	-
Cash and pooled investments beginning of year	<u>12,220</u>	<u>-</u>
Cash and pooled investments end of year	<u>\$ 27,104</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income (loss)	\$ (200,943)	\$ (10,711)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Commodities used	10,842	-
Depreciation	1,263	-
(Increase) in accounts receivable	(2,017)	-
(Increase) decrease in inventories	(3,089)	12,442
Increase in accounts payable	2,124	-
(Decrease) in salaries and benefits payable	(16,262)	-
Increase (decrease) in due to other funds	<u>54,505</u>	<u>(1,731)</u>
Net cash used by operating activities	<u>\$ (153,577)</u>	<u>\$ -</u>

During the year ended June 30, 2013, the District received \$10,842 of federal commodities.

See notes to financial statements.



Exhibit I

Day Care	Total
\$ 138,784	\$ 273,287
-	2,850
(123,048)	(201,086)
(15,315)	(228,207)
421	(153,156)

450	489
-	3,035
-	165,361
450	168,885

-	26
---	----

871	15,755
4,967	17,187
\$ 5,838	\$ 32,942

\$ 9,850	\$ (201,804)
-	10,842
-	1,263
(1,052)	(3,069)
-	9,353
-	2,124
(8,377)	(24,639)
-	52,774
\$ 421	\$ (153,156)

## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies

Southeast Webster-Grand Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Boxholm, Pilot Mound, Burnside, Harcourt, Lehigh and Dayton, Iowa and agricultural area in Webster and Boone Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity:

For financial reporting purposes, Southeast Webster-Grand Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. Southeast Webster-Grand Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations:** The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Webster and Boone County Assessor's Conference Boards.

#### B. Basis of Presentation:

**Government-wide financial statements:** The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

## NOTES TO FINANCIAL STATEMENTS

---

### Note 1. Summary of Significant Accounting Policies (Continued)

#### B. Basis of Presentation (continued):

##### **Government-wide financial statements (continued):**

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

**Fund financial statements:** Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Combining schedules are also included for the Special Revenue and Capital Projects Funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Special Revenue Fund is utilized for the payment of insurance, unemployment and early retirement benefits. In addition, the fund accounts for extra curricular activities conducted on behalf of the students.

The Debt Service Fund is utilized for the payment of principal and interest on the District's general long-term debt.

The District reports the following major proprietary funds:

The District's major proprietary funds are the Enterprise, School Nutrition Fund, Eagles Nest and Day Care Funds. These funds are used to account for the food service, student run business and Day Care operations of the District.

## NOTES TO FINANCIAL STATEMENTS

---

### Note 1. Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus and Basis of Accounting:

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities and Fund Equity:

The following accounting policies are followed in preparing the financial statements:

**Cash and pooled investments:** The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

**Property tax receivable:** Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013; and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

**Due from Other Governments:** Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

**Inventories:** Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities and Fund Equity (continued):

**Capital Assets:** Capital assets, which include property, and furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

**Salaries and benefits payable:** Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

**Deferred revenue:** Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

**Compensated absences:** District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the government fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities and Fund Equity (Continued):

**Long-term obligations:** In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

**Fund equity:** In the governmental fund financial statements, fund balances are classified as follows:

*Restricted* - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

*Unassigned* - All amounts not included in other spendable classification.

#### E. Budgets and Budgetary Accounting:

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceeded the amended amount budgeted in the non-instructional program function. The District did not exceed its General Funds unspent authorized budget.

### Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2013.

### Note 3. Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2013 is as follows:

Receivable fund	Payable fund	Amount
General	Proprietary - School Nutrition	\$ 54,505
General	Proprietary - Eagles Nest	16,916
		<u>\$ 71,421</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<b>Transfer to</b>	<b>Transfer from</b>	<b>Amount</b>
Special Revenue - Student Activity	General Fund	\$ 28,500

### Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 9,000	\$ -	\$ -	\$ 9,000
Construction in progress	1,227,572	618,307	1,845,879	-
<b>Total capital assets not being depreciated</b>	<b>1,236,572</b>	<b>618,307</b>	<b>1,845,879</b>	<b>9,000</b>
Capital assets being depreciated:				
Site improvements	709,980	75,418	-	785,398
Buildings	3,353,517	1,845,879	-	5,199,396
Furniture and equipment	1,794,086	80,358	-	1,874,444
<b>Total capital assets being depreciated</b>	<b>5,857,583</b>	<b>2,001,655</b>	<b>-</b>	<b>7,859,238</b>
Less accumulated depreciation for:				
Site improvements	365,989	26,390	-	392,379
Buildings	1,691,132	138,189	-	1,829,321
Furniture and equipment	1,482,885	101,440	-	1,584,325
<b>Total accumulated depreciation</b>	<b>3,540,006</b>	<b>266,019</b>	<b>-</b>	<b>3,806,025</b>
<b>Total capital assets being depreciated, net</b>	<b>2,317,577</b>	<b>1,735,636</b>	<b>-</b>	<b>4,053,213</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 3,554,149</b>	<b>\$ 2,353,943</b>	<b>\$ 1,845,879</b>	<b>\$ 4,062,213</b>
<b>Business-type activities:</b>				
Furniture and equipment	\$ 85,087	\$ -	\$ -	\$ 85,087
Less accumulated depreciation	80,566	1,263	-	81,829
<b>Business-type activities capital assets, net</b>	<b>\$ 4,521</b>	<b>\$ (1,263)</b>	<b>\$ -</b>	<b>\$ 3,258</b>



## NOTES TO FINANCIAL STATEMENTS

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### Note 5. Capital Assets (Continued)

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Unallocated	<u>\$ 266,019</u>
Business-type activities:	
Food service operations	<u>\$ 1,263</u>

### Note 6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 was \$287,473, \$284,899 and \$244,723, respectively, equal to the required contributions for each year.

### Note 7. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$213,619 for year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

### Note 8. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Revenue bonds	\$ -	\$ 2,125,000	\$ 212,500	\$ 1,912,500	\$ 212,500
Net OPEB liability	15,460	10,231	25,691	-	-
Early retirement	48,017	-	23,467	24,550	3,600
	<u>\$ 63,477</u>	<u>\$ 2,135,231</u>	<u>\$ 261,658</u>	<u>\$ 1,937,050</u>	<u>\$ 216,100</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Long-term Liabilities (Continued)

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 13, 2012			
	Interest Rate	Principal	Interest	Total
2014	2.95%	\$ 212,500	\$ 28,209	\$ 240,709
2015	2.95%	212,500	53,284	265,784
2016	2.95%	212,500	47,016	259,516
2017	2.95%	212,500	40,747	253,247
2018	2.95%	212,500	34,478	246,978
Thereafter	2.95%	850,000	78,359	928,359
		<u>\$ 1,912,500</u>	<u>\$ 282,093</u>	<u>\$ 2,194,593</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,125,000 of bonds issued in July 2012. The bonds were issued for the purpose of financing a portion of the costs of a new HVAC system. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2022. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$2,194,593. For the current year, principal and interest of \$244,540 was paid on the bonds, and total statewide sales, services and use tax revenues were \$444,901.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- An amount equal to accrued interest of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying the first payment of interest.
- All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

### Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

## NOTES TO FINANCIAL STATEMENTS

### Note 10. Other Postemployment Benefits (OPEB)

**Plan description:** The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 36 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

**Funding policy:** The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

**Annual OPEB cost and net OPEB obligation:** The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 10,194
Interest on net OPEB obligation	696
ARC adjustment	(659)
Annual OPEB cost	10,231
Contributions made	(38,400)
Decrease in net OPEB obligation	(28,169)
Net OPEB obligation beginning of year	15,460
Net OPEB asset end of year	\$ (12,709)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$38,400 to the medical plan.

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2010	\$ 68,000	92.6%	\$ 5,000
June 30, 2011	68,225	92.3%	10,225
June 30, 2012	68,235	92.3%	15,460
June 30, 2013	10,231	375.3%	(12,709)

## NOTES TO FINANCIAL STATEMENTS

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### Note 10. Other Postemployment Benefits (OPEB) (Continued)

**Funded status and funding progress:** As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$85,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$85,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,809,000, and the ratio of the UAAL to covered payroll was 2.2%. As of June 30, 2013, there were no trust fund assets.

**Actuarial methods and assumptions:** Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 5.0% discount rate based on the District's funding policy. The projected annual medical trend rate is 3.0%.

Mortality rates are from the Life Expectancy Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the GASB 45 Table I Paragraph 35(b) as of June 30, 2007 and applying the termination factors used in the GASB 45 Table I Paragraph 35(b) as of June 30, 2008.

Projected claim costs of the medical plan are \$824 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## NOTES TO FINANCIAL STATEMENTS

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### Note 11. Leases

The District leases office equipment under an operating lease that requires monthly payments of \$2,328, expiring in March 2018. The following is a schedule of minimum future lease payments under the operating lease as of June 30, 2013:

Year Ended June 30,	
2014	\$ 27,933
2015	27,933
2016	27,933
2017	27,933
2018	20,950
	<u>\$ 132,682</u>

Total rent expense for the year ended June 30, 2013 totaled \$27,472.

**SOUTHEAST WEBSTER-GRAND  
COMMUNITY SCHOOL DISTRICT**

## **REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES,  
AND CHANGES IN BALANCES - BUDGET AND ACTUAL –  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**

**Required Supplementary Information**

**Year Ended June 30, 2013**

	<b>Governmental Fund Types Actual</b>	<b>Proprietary Fund Types Actual</b>	<b>Total Actual</b>
<b>Revenues:</b>			
Local sources	\$ 4,305,856	\$ 279,721	\$ 4,585,577
Intermediate sources	7,000	-	7,000
State sources	2,902,257	3,035	2,905,292
Federal sources	275,353	184,677	460,030
<b>Total revenues</b>	<b>7,490,466</b>	<b>467,433</b>	<b>7,957,899</b>
<b>Expenditures/Expenses:</b>			
<b>Current:</b>			
Instruction	4,519,634	-	4,519,634
Support services	1,745,835	-	1,745,835
Non-instructional programs	-	481,010	481,010
Other expenditures	1,519,963	-	1,519,963
<b>Total expenditures/expenses</b>	<b>7,785,432</b>	<b>481,010</b>	<b>8,266,442</b>
<b>(Deficiency) of revenues (under) expenditures/expenses</b>	<b>(294,966)</b>	<b>(13,577)</b>	<b>(308,543)</b>
<b>Other financing sources, net</b>	<b>2,125,000</b>	<b>-</b>	<b>2,125,000</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses</b>	<b>1,830,034</b>	<b>(13,577)</b>	<b>1,816,457</b>
<b>Balance, beginning of year</b>	<b>222,294</b>	<b>(21,892)</b>	<b>200,402</b>
<b>Balance, end of year</b>	<b>\$ 2,052,328</b>	<b>\$ (35,469)</b>	<b>\$ 2,016,859</b>

See accompanying independent auditor's report.



**Budgeted Amounts**

<b>Original</b>	<b>Final</b>	<b>Final to Actual Variance</b>
\$ 4,607,219	\$ 4,607,219	\$ (21,642)
5,000	5,000	2,000
2,909,657	2,909,657	(4,365)
568,000	568,000	(107,970)
8,089,876	8,089,876	(131,977)
4,817,000	4,817,000	297,366
2,441,000	2,441,000	695,165
454,000	454,000	(27,010)
2,345,749	2,345,749	825,786
10,057,749	10,057,749	1,791,307
(1,967,873)	(1,967,873)	(1,659,330)
2,117,830	2,117,830	7,170
149,957	149,957	1,666,500
315,245	315,245	(114,843)
\$ 465,202	\$ 465,202	\$ 1,551,657

**SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**  
**June 30, 2013**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING**

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This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2013, expenditures in the non-instructional program functions exceeded the amount budgeted.

**SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**

**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN**

**Required Supplementary Information**

**(Expressed in thousands)**

<b>Year Ended June 30,</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
2010	July 1, 2009	\$ -	\$ 621	\$ 621	0.00%	\$ 3,987	15.6%
2011	July 1, 2009	-	621	621	0.00	3,682	16.9%
2012	July 1, 2009	-	621	621	0.00	3,601	17.2%
<b>2013</b>	<b>July 1, 2012</b>	<b>-</b>	<b>85</b>	<b>85</b>	<b>0.00</b>	<b>3,809</b>	<b>2.2%</b>

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB asset (obligation), funded status, and funding progress.

See accompanying independent auditor's report.

## **SUPPLEMENTARY INFORMATION**

## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL

Schedule 1

## COMBINING BALANCE SHEET

## Special Revenue Accounts

June 30, 2013

	Management Levy	Student Activity Fund	Total
<b>Assets</b>			
Cash and pooled investments	\$ 98,759	\$ 46,556	\$ 145,315
Receivables:			
Property tax:			
Delinquent	2,203	-	2,203
Succeeding year	300,001	-	300,001
<b>Total assets</b>	<b>\$ 400,963</b>	<b>\$ 46,556</b>	<b>\$ 447,519</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Salaries and benefits payable	\$ 5,613	\$ -	\$ 5,613
Deferred revenue:			
Succeeding year property tax	300,001	-	300,001
<b>Total liabilities</b>	<b>305,614</b>	<b>-</b>	<b>305,614</b>
Fund balances:			
Restricted for:			
Management levy purposes	95,349	-	95,349
Student activities	-	46,556	46,556
<b>Total fund balances</b>	<b>95,349</b>	<b>46,556</b>	<b>141,905</b>
<b>Total liabilities and fund balances</b>	<b>\$ 400,963</b>	<b>\$ 46,556</b>	<b>\$ 447,519</b>

See accompanying independent auditor's report.

**SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**
**Schedule 2**
**Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Special Revenue Accounts  
Year Ended June 30, 2013**

	Management Levy	Student Activity Fund	Total
<b>Revenues:</b>			
Local sources:			
Local tax	\$ 149,921	\$ -	\$ 149,921
Other	-	113,474	113,474
State sources	83	-	83
<b>Total revenues</b>	<b>150,004</b>	<b>113,474</b>	<b>263,478</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	81,383	-	81,383
Other	-	104,520	104,520
Support services:			
Administration	1,111	-	1,111
Operation and maintenance of plant	37,954	-	37,954
Student transportation	10,479	-	10,479
<b>Total expenditures</b>	<b>130,927</b>	<b>104,520</b>	<b>235,447</b>
<b>Excess of revenues over expenditures</b>	<b>19,077</b>	<b>8,954</b>	<b>28,031</b>
<b>Other financing sources:</b>			
Operating transfers in	-	28,500	28,500
<b>Excess of revenue and other financing sources over expenditures</b>	<b>19,077</b>	<b>37,454</b>	<b>56,531</b>
<b>Fund balances beginning of year</b>	<b>76,272</b>	<b>9,102</b>	<b>85,374</b>
<b>Fund balances end of year</b>	<b>\$ 95,349</b>	<b>\$ 46,556</b>	<b>\$ 141,905</b>

See accompanying independent auditor's report.

**SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**

**Schedule 3**

**Schedule of Changes in Special Revenue Accounts, Student Activity Funds  
Year Ended June 30, 2013**

	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
All HS Athletics	\$ 207	\$ 3,780	\$ 1,039	\$ -	\$ 2,948
HS Uniforms	65	2,875	2,719	-	221
HS Football	5,928	7,512	6,647	-	6,793
HS Basketball	5,352	7,625	8,786	-	4,191
HS Track/Cross Country	-	4,408	5,088	-	(680)
HS Golf	(69)	230	1,666	-	(1,505)
HS Baseball/Softball	(16,708)	30,594	12,989	-	897
HS Volleyball	(132)	5,686	4,008	-	1,546
HS Wrestling	4,632	3,674	4,362	-	3,944
Class of 2011	327	-	-	-	327
Class of 2014	(200)	13,111	10,471	-	2,440
Class of 2012	17	-	-	-	17
Class of 2013	482	239	1,354	-	(633)
All JH Athletics	-	6,212	3,636	-	2,576
JH Football	-	793	390	-	403
JH Volleyball	-	172	136	-	36
JH Basketball	(1,013)	2,479	1,891	-	(425)
JH Track	219	225	521	-	(77)
JH Baseball/Softball	(4,337)	4,350	1,300	-	(1,287)
Pictures	1,338	-	-	-	1,338
Project Graduation	825	8,811	7,874	-	1,762
RIF	(209)	209	-	-	-
HS Activities	40	1,609	1,579	-	70
JH Band Club	2,532	1,793	1,507	-	2,818
HS Band Club	1,733	2,736	2,189	(15)	2,265
Speech Club	(2,432)	3,817	1,156	-	229
JH Vocal Club	194	-	-	-	194
SH Vocal Club	692	1,827	1,950	-	569
HS Music Trip	1,720	7,244	4,312	-	4,652
National Honor Society	433	3,912	2,305	(375)	1,665
DECA	(1,459)	2,367	383	-	525
Operation Angel Tree	2,341	3,176	4,199	-	1,318
Industrial Tech Club	(445)	450	-	-	5
HS Cheerleading	1,909	3,995	4,939	-	965
Youth Softball	590	-	-	-	590
FCA	181	-	-	-	181
JH Student Council	2,576	2,093	1,886	-	2,783
SH Student Council	1,773	3,970	3,238	390	2,895
<b>Total</b>	<b>\$ 9,102</b>	<b>\$ 141,974</b>	<b>\$ 104,520</b>	<b>\$ -</b>	<b>\$ 46,556</b>

See accompanying independent auditor's report.

**SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT****Schedule 4****Combining Balance Sheet  
Capital Project Accounts  
June 30, 2013**

	<b>Statewide Sales, Services and Use Tax</b>	<b>Physical Plant and Equipment Levy</b>	<b>Total</b>
<b>Assets</b>			
Cash and pooled investments	\$ 553,541	\$ 398,852	\$ 952,393
Receivables:			
Property tax:			
Delinquent	-	2,518	2,518
Succeeding year	-	183,229	183,229
Due from other governments	69,517	-	69,517
Other receivable	1,350	-	1,350
<b>Total assets</b>	<b>\$ 624,408</b>	<b>\$ 584,599</b>	<b>\$ 1,209,007</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	-	183,229	183,229
<b>Total liabilities</b>	<b>-</b>	<b>183,229</b>	<b>183,229</b>
Fund balances:			
Restricted for:			
School infrastructure	624,408	-	624,408
Physical plant and equipment	-	401,370	401,370
<b>Total fund balances</b>	<b>624,408</b>	<b>401,370</b>	<b>1,025,778</b>
<b>Total liabilities and fund balances</b>	<b>\$ 624,408</b>	<b>\$ 584,599</b>	<b>\$ 1,209,007</b>

See accompanying independent auditor's report.



## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

## Schedule 5

**Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Capital Project Accounts  
Year Ended June 30, 2013**

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Revenues:</b>			
Local sources:			
Local tax	\$ 444,901	\$ 175,765	\$ 620,666
Other	2,554	56,067	58,621
State sources	-	96	96
<b>Total revenues</b>	<b>447,455</b>	<b>231,928</b>	<b>679,383</b>
<b>Expenditures:</b>			
Support services:			
Operation and maintenance of plant	-	27,472	27,472
Student transportation	-	24,374	24,374
Other expenditures:			
Facilities acquisition	879,944	181,860	1,061,804
<b>Total expenditures</b>	<b>879,944</b>	<b>233,706</b>	<b>1,113,650</b>
<b>(Deficiency) of revenues (under) expenditures</b>	<b>(432,489)</b>	<b>(1,778)</b>	<b>(434,267)</b>
<b>Other financing sources (uses):</b>			
Revenue bonds issued	-	2,125,000	2,125,000
Operating transfers in	1,750,000	-	1,750,000
Operating transfers out	(244,540)	(1,750,000)	(1,994,540)
<b>Total other financing sources (uses)</b>	<b>1,505,460</b>	<b>375,000</b>	<b>1,880,460</b>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	<b>1,072,971</b>	<b>373,222</b>	<b>1,446,193</b>
Fund balances beginning of year	(448,563)	28,148	(420,415)
Fund balances end of year	\$ 624,408	\$ 401,370	\$ 1,025,778

See accompanying independent auditor's report.

**SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT****Schedule of Revenues by Source and Expenditures by Function -  
All Governmental Funds  
For the Last Ten Years**

	<b>Modified</b>			
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 3,564,967	\$ 3,552,828	\$ 3,365,628	\$ 3,068,583
Tuition	373,715	391,682	366,471	331,981
Other	367,174	317,315	265,348	225,119
Intermediate sources	7,000	-	-	-
State sources	2,902,257	2,914,589	2,813,745	2,591,058
Federal sources	275,353	490,948	527,975	652,939
<b>Total revenues</b>	<b>\$ 7,490,466</b>	<b>\$ 7,667,362</b>	<b>\$ 7,339,167</b>	<b>\$ 6,869,680</b>
<b>Expenditures:</b>				
Instruction	\$ 4,519,634	\$ 4,370,085	\$ 4,582,668	\$ 4,590,477
Support services:				
Student	33,746	28,038	24,997	17,894
Instructional staff	133,334	145,035	237,992	182,197
Administration	585,027	619,713	549,939	595,997
Operation and maintenance of plant	499,866	454,549	490,502	453,286
Transportation	493,862	470,872	523,949	557,572
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	1,061,804	1,675,845	260,835	287,871
Long-term debt:				
Principal	212,500	-	-	160,000
Interest and other charges	32,040	-	-	4,217
AEA flowthrough	213,619	209,787	235,946	233,982
<b>Total expenditures</b>	<b>\$ 7,785,432</b>	<b>\$ 7,973,924</b>	<b>\$ 6,906,828</b>	<b>\$ 7,083,493</b>

**Schedule 6**

<b>Accrual Basis</b>					
2009	2008	2007	2006	2005	2004
\$ 2,833,006	\$ 2,401,462	\$ 2,264,305	\$ 2,071,352	\$ 2,276,340	\$ 2,506,074
374,769	314,084	357,758	295,199	349,057	329,713
254,428	198,008	326,633	248,001	297,772	257,038
-	-	-	-	-	-
3,202,679	3,234,267	3,082,963	3,062,893	2,790,789	2,521,027
255,533	373,368	303,399	510,867	523,768	358,727
<b>\$ 6,920,415</b>	<b>\$ 6,521,189</b>	<b>\$ 6,335,058</b>	<b>\$ 6,188,312</b>	<b>\$ 6,237,726</b>	<b>\$ 5,972,579</b>
\$ 4,496,567	\$ 4,446,653	\$ 4,359,746	\$ 3,995,352	\$ 4,242,339	\$ 3,842,727
9,843	6,128	26,630	36,981	88,129	145,060
197,949	177,817	209,938	164,999	104,281	174,804
687,679	658,098	626,222	613,337	666,232	565,437
431,916	518,133	546,018	604,802	473,992	411,633
504,576	499,637	475,786	398,041	384,079	290,548
26,415	5,597	6,970	2,593	8,910	5,053
286,563	135,987	485,837	151,967	102,250	50,283
80,000	500,000	215,000	130,000	175,000	170,000
8,768	37,630	44,098	41,928	52,093	61,225
215,899	211,810	201,135	193,945	194,187	196,318
<b>\$ 6,946,175</b>	<b>\$ 7,197,490</b>	<b>\$ 7,197,380</b>	<b>\$ 6,333,945</b>	<b>\$ 6,491,492</b>	<b>\$ 5,913,088</b>

**SOUTHEAST WEBSTER-GRAND  
COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of  
Southeast Webster-Grand Community School District

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Southeast Webster-Grand Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 26, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Southeast Webster-Grand Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southeast Webster-Grand Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Southeast Webster-Grand Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-13 and II-B-13 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control, which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-C-13 to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Southeast Webster-Grand Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## **Southeast Webster-Grand Community School District's Responses to Findings**

Southeast Webster-Grand Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Southeast Webster-Grand Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Southeast Webster-Grand Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Schnarr & Company, LLP*

Fort Dodge, Iowa  
March 24, 2014

**SOUTHEAST WEBSTER-GRAND  
COMMUNITY SCHOOL DISTRICT**



# **SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**

## **Schedule of Findings and Questioned Costs Year Ended June 30, 2013**

### **Part I: Summary of Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

### **Part II: Findings Related to the Financial Statements:**

#### **Internal Control Deficiencies:**

II-A-13     Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition, but it is important the District officials are aware that the condition exists.

Recommendation – We realize that with a limited number of office employees segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

District Response – The District will continue to review and implement additional controls where possible.

Conclusion – Response accepted.

II-B-13     Financial Reporting – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the District's financial statements.

Response – We will double-check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2013**

**Part II: Findings Related to the Financial Statements (continued):**

**Internal Control Deficiencies:**

- II-C-13 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. Southeast Webster-Grand Community School District does not have an internal control system designed to provide for the preparation of financial statements, including the accompanying footnotes as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 112, “Communicating Internal Control Related Matters Identified in an Audit”, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with the cash basis of accounting can be considered costly and ineffective. However, it is the responsibility of the District’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

**Instances of Noncompliance:**

No matters were reported.

**Part III: Other Findings Related To Required Statutory Reporting:**

- III-A-13 Certified Budget – Expenditures for the year ended June 30, 2013 exceeded the amended certified budget amount in the non-instructional programs.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2013**

**Part III: Other Findings Related To Required Statutory Reporting (Continued):**

III-B-13 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

III-C-13 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

III-D-12 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
K and D Land Improvement/ Board Member	Grounds upkeep and landscaping	\$ 45,676

\$28,729 of the expenses were subject to proper bidding. However, \$16,947 of the expenditures were not bid.

Recommendation – The District should review these expenditures to ensure legal compliance.

Response – We will review these on an annual basis and consult with our attorney when needed.

Conclusion – Response accepted.

III-E-13 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-13 Board Minutes – We noted no transactions requiring Board approval that had not been approved by the Board.

III-G-13 Certified Enrollment – The Department of Education reported that the number of basic resident students on line 7 of the Certified Enrollment Certification Form of October 2012 was understated by one student.

III-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Department of Education were noted.

III-I-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2013**

**Part III: Other Findings Related To Required Statutory Reporting (Continued):**

III-J-13 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education. However, due to adjustments made to the audit, the Certified Annual Report and the audit report are not in agreement.

Recommendation – The Certified Annual Report should be amended to agree with the audit report.

District Response – If necessary, the Certified Annual Report will be amended.

Conclusion – Response accepted.

III-K-13 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

III-L-12 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable use of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	(448,563)
Revenue/transfers in:			
Sales tax revenues	\$	444,901	
Other local revenues		2,554	
Transfers from other funds		1,750,000	2,197,455
			<u>1,748,892</u>
Expenditures/transfers out:			
School infrastructure construction		879,944	
Transfers to other funds:			
Debt service fund		244,540	1,124,484
			<u>1,124,484</u>
Ending balance		\$	<u>624,408</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2013**

**Part III: Other Findings Related To Required Statutory Reporting (Continued):**

III-M-13     Deficit Balances – Two student activity accounts had deficit balances at June 30, 2013. In addition, the School Nutrition and Eagles Nest (Enterprise Funds) also have deficit balances.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.

III-N-12     Revenue Bonds – The District has not established the reserve account required by the revenue bond resolution.

Recommendation – The District should establish the reserve account in the amount required and make the monthly transfers to the sinking account as required by the bond resolution.

Response – We will establish a reserve account and begin making transfers to a sinking account.

Conclusion – Response accepted.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Southeast Webster-Grand Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Sohnarr & Company, LLP*

Fort Dodge, Iowa  
March 24, 2014